SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–79337; File No. SR–NYSEARCA–2016–145]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change To Conform to Proposed Amendments to Securities Exchange Act Rule 15c6–1(A) To Shorten the Standard Settlement Cycle From Three Business Days After the Trade Date (“T+3”) to Two Business Days After the Trade Date (“T+2”)

November 17, 2016.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the ‘‘Act’’)[2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on November 4, 2016, NYSE Arca, Inc. (the ‘‘Exchange’’ or ‘‘NYSE Arca’’) filed with the Securities and Exchange Commission (the ‘‘Commission’’) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to, through its wholly-owned corporation, NYSE Arca Equities, Inc. (‘‘NYSE Arca Equities’’), adopt new NYSE Arca Equities Rule 7.4T (‘‘Rule 7.4T’’) to conform to proposed amendments to Securities Exchange Act Rule 15c6–1(a) to shorten the standard settlement cycle from three business days after the trade date to two business days after the trade date. The proposed rule change is available on the Exchange’s Web site at *www.nyse.com,* at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt a new Rule 7.4T (Ex-Dividend or Ex-Right Dates) conform to proposed amendments to Securities Exchange Act Rule 15c6–1(a)[4] to shorten the standard settlement cycle from T+3 to T+2.

The proposed new rule would have the same numbering as the current rule, but with the modifier ‘‘T’’ appended to the rule number. As discussed below, because the Exchange would not implement the proposed rule until after the final implementation of T+2, the Exchange proposes to retain the current version of Rule 7.4 on its books and not delete it until after the proposed rule is approved. The Exchange also proposes to file separate proposed rule changes to establish the operative date of the proposed rule and to delete the current version of the rule.

Background

In 1993, the Securities and Exchange Commission (the ‘‘SEC’’ or ‘‘Commission’’) adopted Rule 15c6–1(a)[5] under the Act, which established three business days after trade date instead of five business days (‘‘T+5’’), as the standard trade settlement cycle for most securities transactions. The rule became effective in June 1995.[6] In November 1994, the Exchange amended its rules to be consistent with the T+3 settlement cycle for securities transactions.[7]

On September 28, 2016, the SEC proposed amendments to Rule 15c6–1(a) to shorten the standard settlement cycle from T+3 to T+2 on the basis that the shorter settlement cycle would reduce the risks that arise from the value and number of unsettled securities transactions prior to completion of settlement, including credit, market and liquidity risk faced by U.S. market participants.[8] The proposed rule amendment was published for comment in the **Federal Register** on October 5, 2016.[9] In light of this action by the SEC, the Exchange proposes new rules to reflect ‘‘regular way’’ settlement as occurring on T+2.[10]

Proposed Rule Change

The Exchange proposes a new Rule 7.4T to reflect a T+2 settlement cycle.[11] Current Rule 7.4 provides that transactions in stocks traded ‘‘regular’’ shall be ‘‘ex-dividend’’ or ‘‘ex-rights’’ as the case may be, on the second business day preceding the record date fixed by the company or the date of the closing of transfer books, except when the Board of Directors rules otherwise. Proposed Rule 7.4T would not include the word ‘‘second’’ so that the reference would be to the ‘‘business day’’ preceding the record date. The current version of Rule 7.4 further provides that if the record date or closing of transfer books occur upon a day other than a business day, the rule shall apply for the third preceding business day. Proposed Rule 7.4T would replace ‘‘third preceding business day’’ to ‘‘second preceding business day.’’

Operative Date Preambles

As noted above, because the Exchange would not implement the proposed rule until after the final implementation of T+2, the Exchange proposes to retain to retain the current version of Rule 7.4 on its books and not delete it until after the proposed rule is approved. The Exchange also proposes to file separate proposed rule changes as necessary to establish the operative date of Proposed Rule 7.4T and to delete the current version of the rule.

To reduce the potential for confusion regarding which version of the rule governs, the Exchange proposes to add a preamble to current Rule 7.4 providing that: (1) The rule will remain operative until the Exchange files separate

[1] 15 U.S.C.78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

[4] *See* 17 CFR 240.15c6–1(a); *see also* notes 7–8, *infra.*

[5] 17 CFR 240.15c6–1(a).

[6] *See* Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (order adopting Rule 15c6–1) and 34952 (November 9, 1994), 59 FR 59137 (order changing the effective date from June 1, 1995, to June 7, 1995).

[7] *See* Securities Exchange Act Release Nos. 35110 (December 16, 1994), 59 FR 0 (December 23, 1994) (SR–NYSE–94–40) (Notice) and 35506 (March 17, 1995), 60 FR 15618 (March 24, 1995) (SR–NYSE–94–40) (Approval Order).

[8] *See* SEC Press Release 2016–200: ‘‘SEC Proposes Rule Amendment to Expedite Process for Settling Securities Transactions’’ (September 28, 2016).

[9] *See* Securities Exchange Act Release No. 78962 (September 28, 2016), 81 FR 69240 (October 5, 2016) (File No. S7–22–16).

[10] Earlier this year the MSRB also filed a rule change to reflect ‘‘regular way’’ settlement as occurring on T+2. *See* Securities Exchange Act Release Nos. 77744 68678 [sic] (April 29, 2016), [sic] 81 FR 14906 (March 18, 2016) (SR–MSRB–2016–04) (approving proposed amendments to MSRB Rules G- 12 and G–15 to define regular-way settlement for municipal securities transactions as occurring on a two-day settlement cycle and technical conforming amendments).

[11] Current Rule 7.4 was adopted originally as Rule 7.7 of the PCX Equities Exchange in 2000 and reflects a T+3 settlement cycle for securities transactions.

proposed rule changes as necessary to establish the operative date of the revised rule, to delete the current rule and proposed preamble, and to remove the preamble text from the revised rule; and (2) in addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of the current rule and implementation of proposed Rule 7.4T.

The Exchange also proposes to add a preamble to proposed Rule 7.4T that would provide that: (1) The Exchange will file a separate rule change to establish the operative date of the proposed rule, delete the current version and the proposed preamble, and remove the preamble text from the revised rule; and (2) until such time, the current version of the rule will remain operative and that, in addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of the proposed rule and the operative date of the deletion of the current rule.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(5) of the Act,[13] in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. In particular, the Exchange believes that, by shortening the time period for settlement of most securities transactions, the proposed rule change would protect investors and the public interest by reducing the number of unsettled trades in the clearance and settlement system at any given time, thereby reducing the risk inherent in settling securities transactions to clearing corporations, their members and public investors. The Exchange also believes that adding a preamble to each current rule and to each proposed rule clarifying the operative dates of the respective versions would remove impediments to and perfect the mechanism of a free and open market and a national market system by adding clarity and transparency to the Exchange's rules, reducing potential confusion, and making the Exchange's rules easier to navigate.

[12] 15 U.S.C. 78f(b).

[13] 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but rather facilitate the industry's transition to a T+2 regular-way settlement cycle. The Exchange also believes that the proposed rule change will serve to promote clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

• Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or

• Send an email to *rule-comments@sec.gov.* Please include File Number SR–NYSEArca–2016–145 on the subject line.

Paper Comments

• Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–NYSEArca–2016–145. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/sro.shtml).* Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NYSEArca–2016–145, and should be submitted on or before December 14,2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Brent J. Fields,

Secretary.

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[14] 17 CFR 200.30–3(a)(12).